

Nihon Enterprise Co., Ltd.

Q1 2016 ending May



Quarterly Earnings Summary

(From 1st June 2015 to 31st August 2015)

2nd October 2015

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Overview of Earnings Summary

(Q1 FY2016)

1 Overview of Earnings Summary

Highlights

Record Q1 sales. Good start

Consolidated Results

Sales	:	1,319M^{Nyen}	YoY:	0.2% up
Ordinary Income	:	60M^{Nyen}	YoY:	5.6% up

Contents Service Segment

Traffic Info. Entertainment Lifestyle

Worked aggressively on plans to rise retention

Good performance in game. World cup favorably impacted U/U rise of “Nadeshiko Fan!!”

- Health care for women achieved steady performance at “au Smart Pass”
- Messenger App “Fivetalk” in-car launched

Solution Segment

Solution Advertising Overseas

Carried on large scale and longer term development project as planned

Good results in store operating rate and new business alliance with mobile phone distributor

Strong performance due to dramatic increase of mobile phone sale quantity

1 Overview of Earnings Summary

Consolidated PL

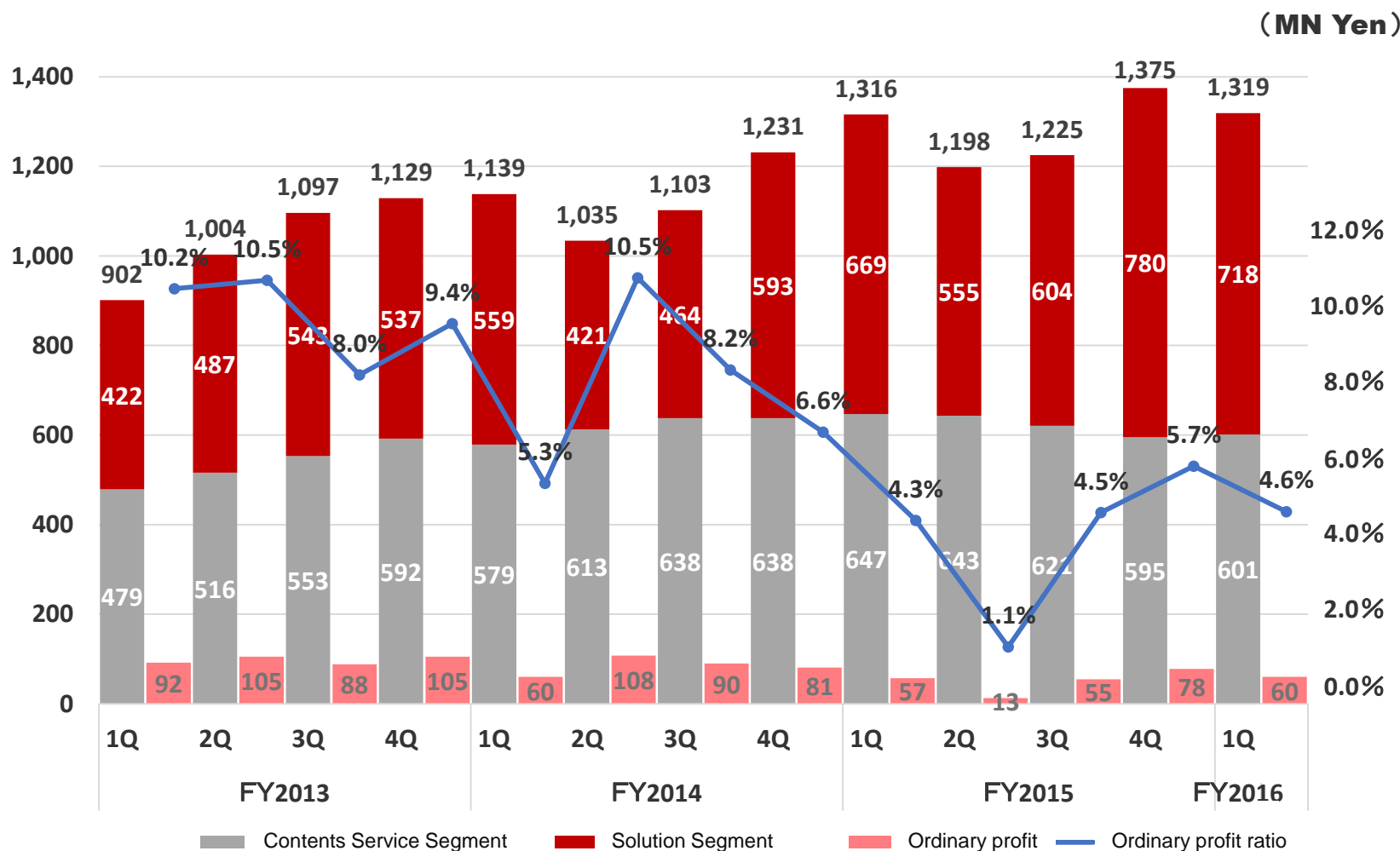
(MN Yen)

	FY2015	FY2016	YoY	
	Q1	Q1	Difference	Growth rate
Sales	1,316	1,319	3	0.2%
COGS	687	728	41	6.0%
Gross profit	628	590	▲ 38	▲6.0%
SG&A	576	533	▲ 42	▲7.4%
Operating profit	52	57	4	9.1%
Non-operating profit	4	3	▲ 1	▲31.0%
Non-operating expense	0	0	0	81.9%
Ordinary profit	57	60	3	5.6%
Extraordinary profit	331	17	▲ 313	▲94.6%
Extraordinary loss	7	-	▲ 7	-
Pre-tax profit	380	78	▲ 302	▲79.5%
Total amount of corporation tax and others	162	46	▲ 115	▲71.2%
Net profit	218	31	▲ 186	▲85.6%
Net profit attributable to non-controlling interest	6	7	1	20.3%
Net profit attributable to the parent company	212	24	▲ 188	▲88.7%

1 Overview of Earnings Summary

Q/Q growth

Even QoQ declined slightly, moved steadily on a whole



1 Overview of Earnings Summary

Sales

■ Y/Y Growth

(MN Yen)

	FY2015 Q1	FY2016 Q1	YoY Difference	Growth rate
Contents Service Segment	647	601	▲ 46	▲7.1%
Solution Segment	669	718	49	7.4%
Total	1,316	1,319	3	0.2%

**0.2% YoY sales up
driven by Solution Segment,
even sales decline in Contents Segment**

1 Overview of Earnings Summary

Sales (Contents Service Segment)

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
	Q1	Q1	Difference	Growth rate
Traffic Info.	244	215	▲ 29	▲11.9%
Entertainment	285	309	23	8.1%
Lifestyle	116	76	▲ 40	▲34.5%
Contents Service Segment	647	601	▲ 46	▲7.1%

**7.1% YoY decrease,
while Entertainment(Games)
achieved robust sales growth**

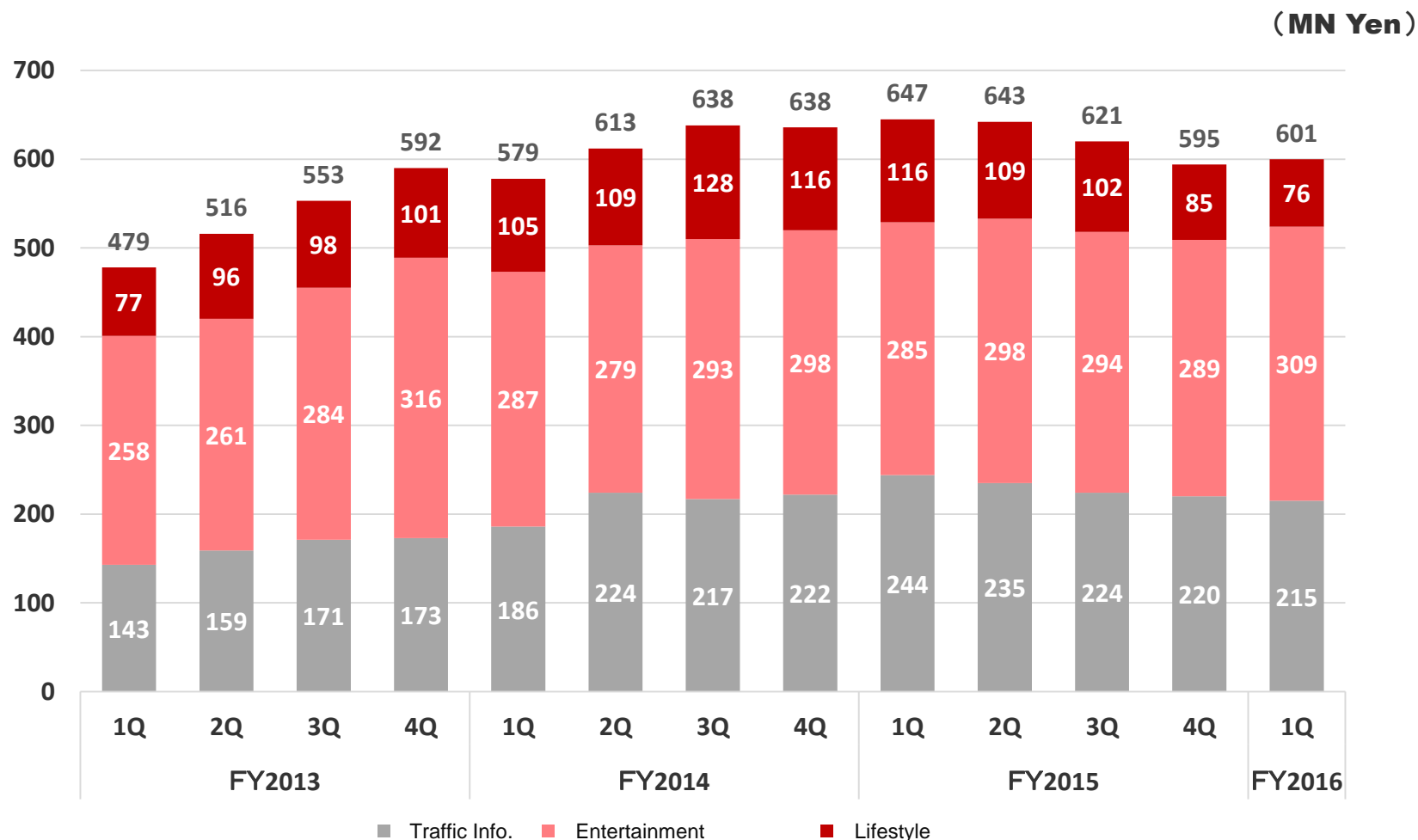
※ "Entertainment" includes "Games", "Mail", "Music", "E-book" and "Overseas"

1 Overview of Earnings Summary

Sales (Contents Service Segment)

Sales up owing to strong performance in Entertainment

■ Q/Q Growth



※ "Entertainment" includes "Games", "Mail", "Music", "E-book" and "Overseas"

1 Overview of Earnings Summary

Sales (Solution Segment)

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
	Q1	Q1	Difference	Growth rate
Solution	219	404	185	84.7%
Advertising Agent Service	404	216	▲ 187	▲46.5%
Overseas	46	97	51	111.6%
Solution Segment	669	718	49	7.4%

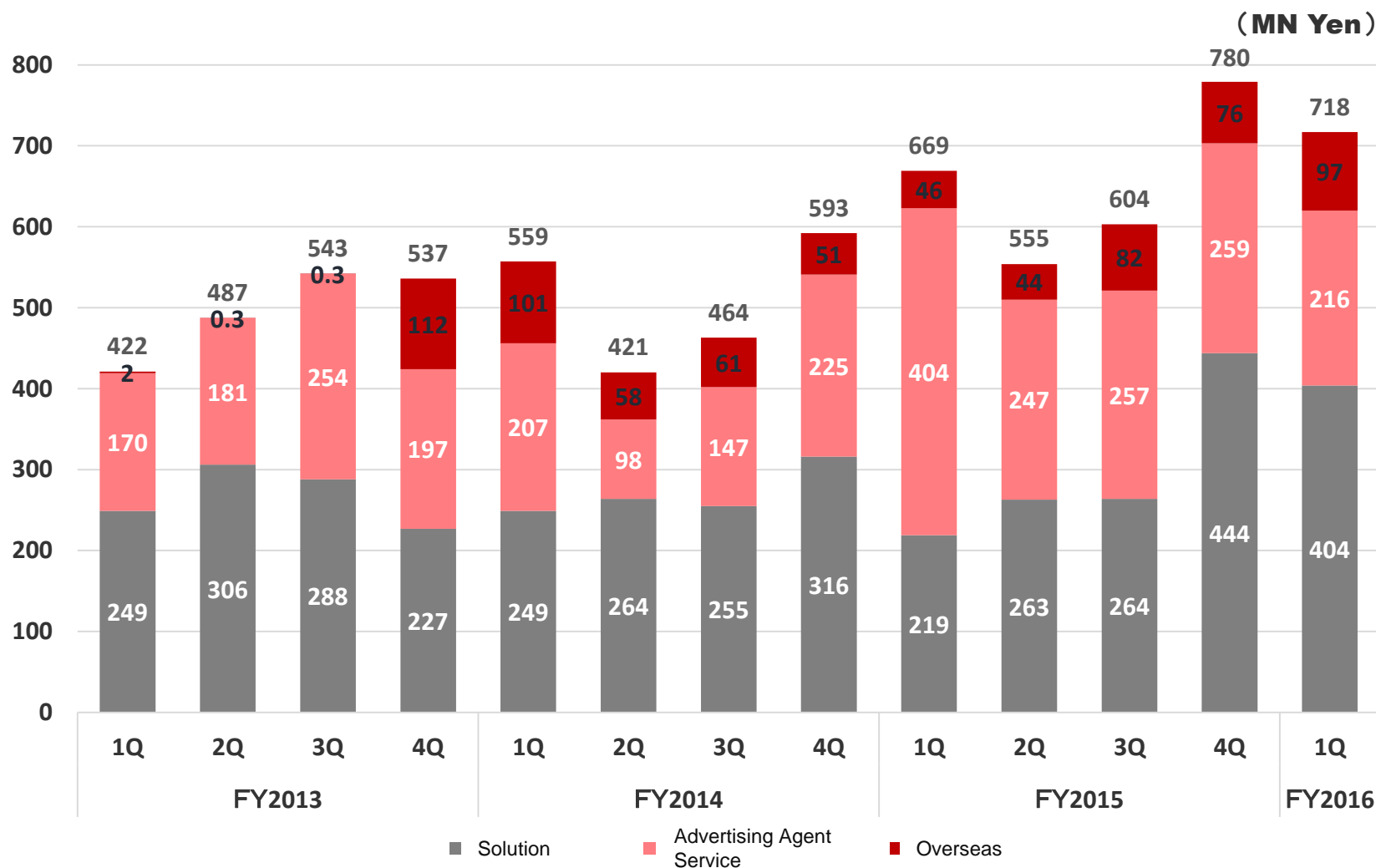
**Increased 7.4% YoY,
driven by Solution category
(consigned development and others)**

1 Overview of Earnings Summary

Sales (Solution Segment)

■ Q/Q Growth

Solution category (consigned development and others)
was on continuous increasing trend.
Strong performance in Overseas



1 Overview of Earnings Summary

COGS (Solution Segment)

■ Y/Y Growth

(MN Yen)

	FY2015 Q1	FY2016 Q1	YoY Difference	Growth rate
COGS	687	728	41	6.0%
COGS ratio	52.2%	55.2%	-	-

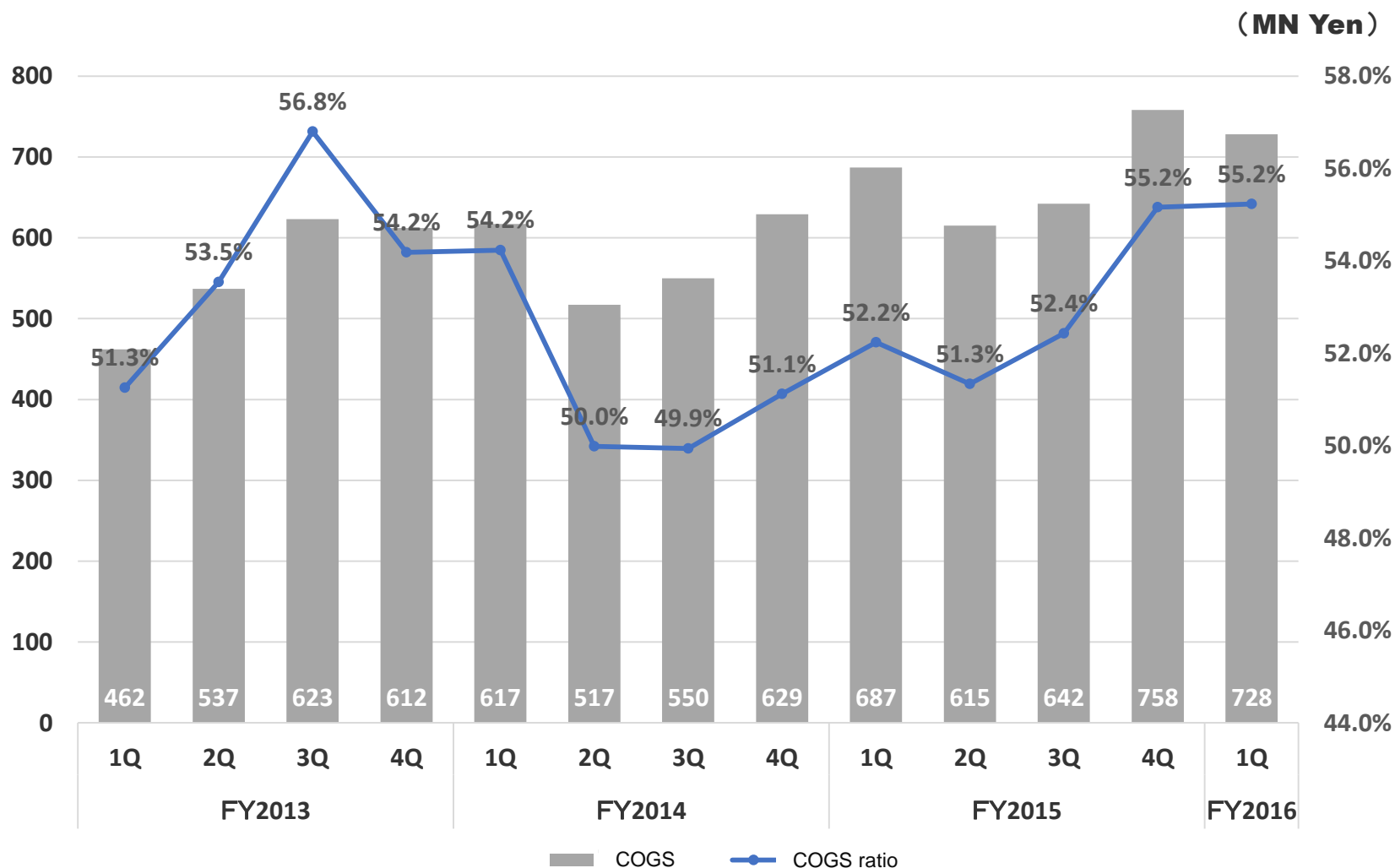
**COGS ratio increased
due to sales growth in Solution Segment**

1 Overview of Earnings Summary

COGS (Solution Segment)

GOGS ratio remained same due to higher proportion of Solution Segment

■ Q/Q Growth



1 Overview of Earnings Summary

SG&A

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
	Q1	Q1	difference	Growth rate
(Advertising expenses)	212	138	▲ 74	▲35.0%
(Others)	364	395	31	8.7%
SG&A	576	533	▲ 42	▲7.4%
SG&A ratio	43.8%	40.4%	-	-

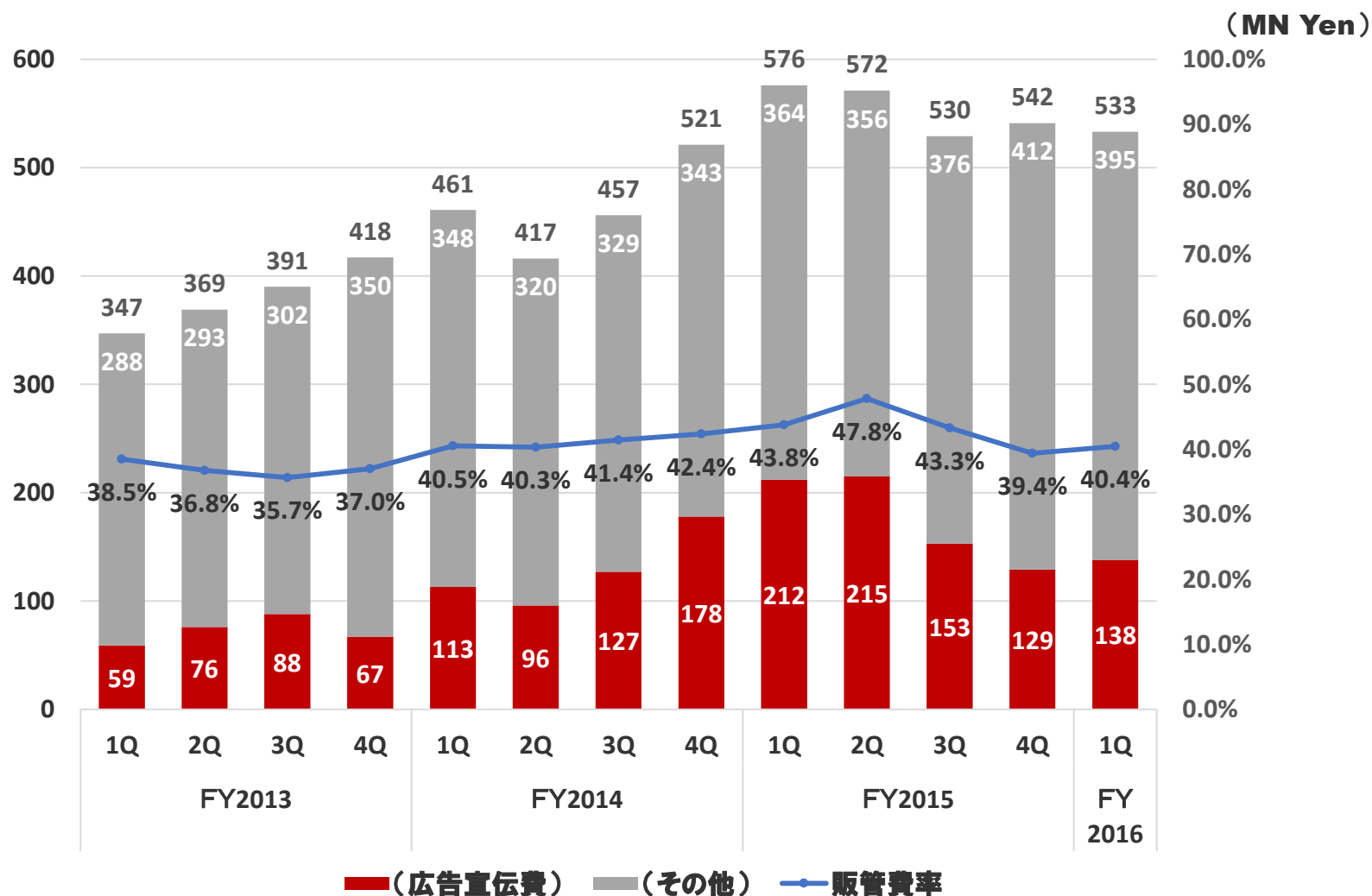
While personnel expenses increased owing newly consolidate subsidiaries, advertising expenses sharply dropped

1 Overview of Earnings Summary

SG&A

■ Q/Q Growth

Continued efficient advertising investment, while SG&A ratio increased due to sales down



Contents Service Segment (Q1 achievements)



2 Contents Service Segment

Traffic Information

Major contents and achievements

ATIS Traffic Information Service

- Focused on aggressive advertising investment such as Nihon Enterprise operating storefront affiliate(Advertising Agent Service) for further user acquisition
- Accomplished projects to rise retention rate of current users as planned



The service, offering road & traffic information, live traffic monitoring and finding parking lots, makes your "outing" more convenient and fun! Furthermore discount vouchers which can be used at 2 hundred thousand places and "Join in reporting traffic"(SNS) are popular among users.

ATIS CORPORATION distributes its contents not only to smartphone users, but also to large shopping malls and TBS's "next generation smart TV".

2 Contents Service Segment

Entertainment

Major contents and achievements

- "Chokotto game"; Aggressive advertising and newly released games contributed to strong performance at "Sugotoku-Contents" and others.
- "NADESHIKO Fan!!"; World cup favorably impacted U/U rise. Service-in at "Sugotoku-Contents" followed by "App Pass".
- Released "Yowamushi Pedal Sugoroku", "SOUNDSMART" and "Stamp Factor" at "App Pass"

ちこっとゲーム Chokotto game



なでして Fan!! NADESHIKO Fan!!



2 Contents Service Segment

Lifestyle (1/2)

Major contents and achievements



"Woman's Diary"

- Good performance in DL and DAU number , both locally and globally
- Focused on business alliance for upcoming monetizing stage



"Woman's Beauty Rhythm"

- Advertising including Advertising Agent Service (Nihon Enterprise operating storefront affiliate) contributed to strong performance

Babyhood~Childhood

Adolescence

Maturity

Menopause

Senescence



Coverage(current)

marriage
hunting

marriage

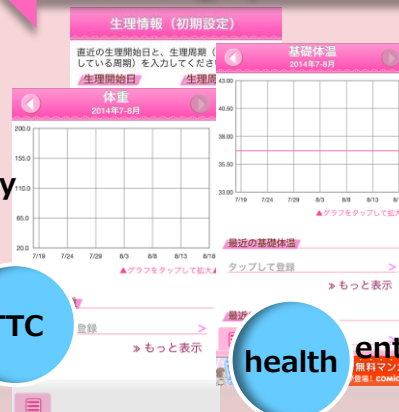


child
care

pregnancy



TTC



job



nursing

money



health

entertainment

Coverage expansion to build a life support platform (Strategy)

2 Contents Service Segment

Lifestyle (2/2)

Messenger App “Fivetalk”

- Released new function “Drawing talk” (16th June 2015)
- “Fivetalk” in-car launched for Toyota’s new telematics service “T-Connect” (25th June 2015)



**To build communication platform
to connect the future (Strategy)**



Solution Segment

(Q1 achievements)

3 Solution Segment

Solution (Consigned development and others)

Consigned development

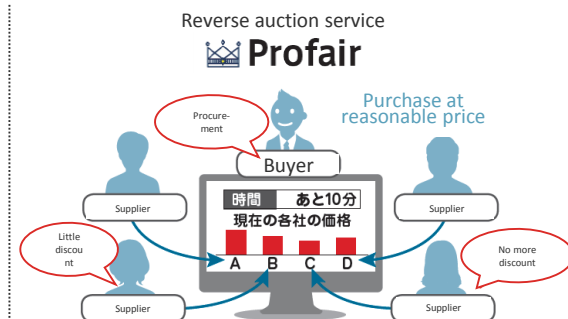
Business environment: Investment in IT system has expanded along with economic recovery

- Implemented large scale and longer term development project as planned
- Carried on smartphone Apps development for major game companies, and web sites development & operation for Web service companies
- Started operation of “Chiba My Style Diary”, Chiba prefecture’s project to prevent decline in birthrate (20th Aug. 2015)(post the sales on PL at 4Q)
- Entered into business alliance with IDC Frontier Inc. (18th June 2015) for further customer acquisition

Own operating services

Business environment: Increasing demands for utilizing App to streamline business and for local government to deliver services to citizens

- “Biztalk” and “AplosOne softphone” ; Focused on functional enhancement
- “Profair”; Furthered customer acquisition, while encouraging continuous utilization by current customers (mainly government offices)
- Launched “Kanko Yubisashi Navi”, a shared platform (Cloud SaaS), for tourism sector (10th Aug.2015)
- Merged and acquired Promote Inc. (22nd July 2015) expecting distributor channel and service line-up expansion



3 Solution Segment

Promote Inc.

Date of capital increase through third-party share allotment: 31st July 2015

- **Company name** : **Promote Inc.**
- **President & CEO** : **Masahiko Morimoto**
- **Office** : 〒150-0002 Matsuoka Shibuya Bldg. 1-17-8 Shibuya Shibuya-ku
- **Establishment** : **28th January 2008**
- **Capital** : **40 MN yen**
- **Business** : **(1) Provision of automatic verification tool (to verify contents behavior) and kitting tool for smartphone and tablet**
(2) Verification support service
(3) Android App/iOS App/Web site cosigned development
(4) System engineering service

Due date of capital increase through third-party share allotment; 31st July 2015

Expected synergy

- To strengthen capability of consigned development
- To promote sales of “BizTalk” and “AplosOne softphone” and other services to streamline business (by taking advantage of application preinstalling function at shipping)
- To build App sales platform in MNVO market, and more

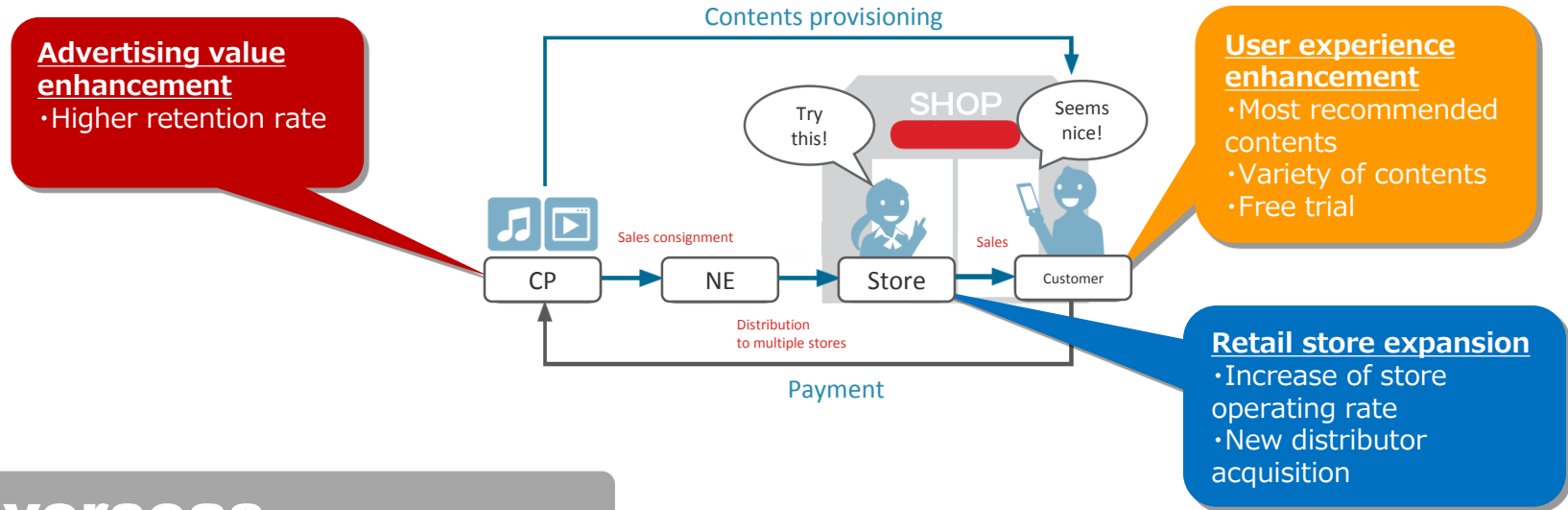


3 Solution Segment

Advertising Agent Service

Business environment: Declining trend of mobile phone number sold for this period. Faced fiercer competition with carrier contents

- Strategic sales plan contributed to store operating rate enhancement, mainly in metropolitan area
- Entered into business alliance with a new mobile phone distributor to increase retail stores
- Enhanced advertising value (high retention rate) by offering attentive support to store clerks
- Smartphone in the first place, at the same time strengthen sales targeting feature phone



Overseas

Business environment: China market declined

- Number of mobile phone sold doubled YoY because of sales to enterprise customers and accelerated 4G service penetration
- Cost including SG&A declined through human resource optimizing

Forecast and Strategy

4 Forecast and Strategy

Forecast

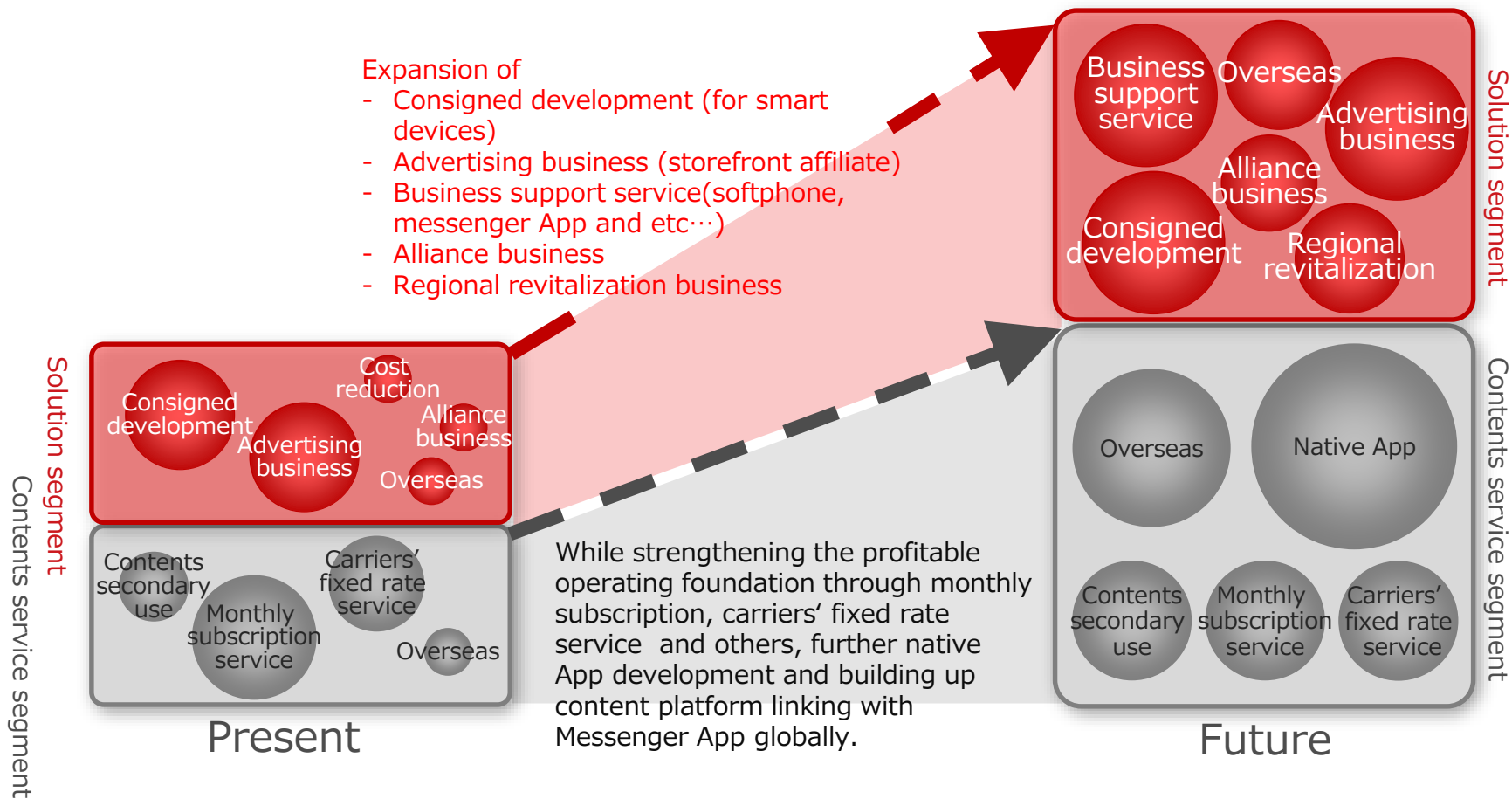
	FY2015	FY2016 (Forecast)	YoY		(MN Yen)
			difference	Growth rate	Progress
Sales	5,116	6,100	983	19.2%	21.6%
Operating profit	189	450	260	137.2%	12.7%
Ordinary profit	204	470	265	129.7%	12.8%
Net profit attributable to the parent company	177	190	12	7.0%	12.6%

Annual dividend per stock (Forecast for FY2016) : 3.00Yen

4 Forecast and Strategy

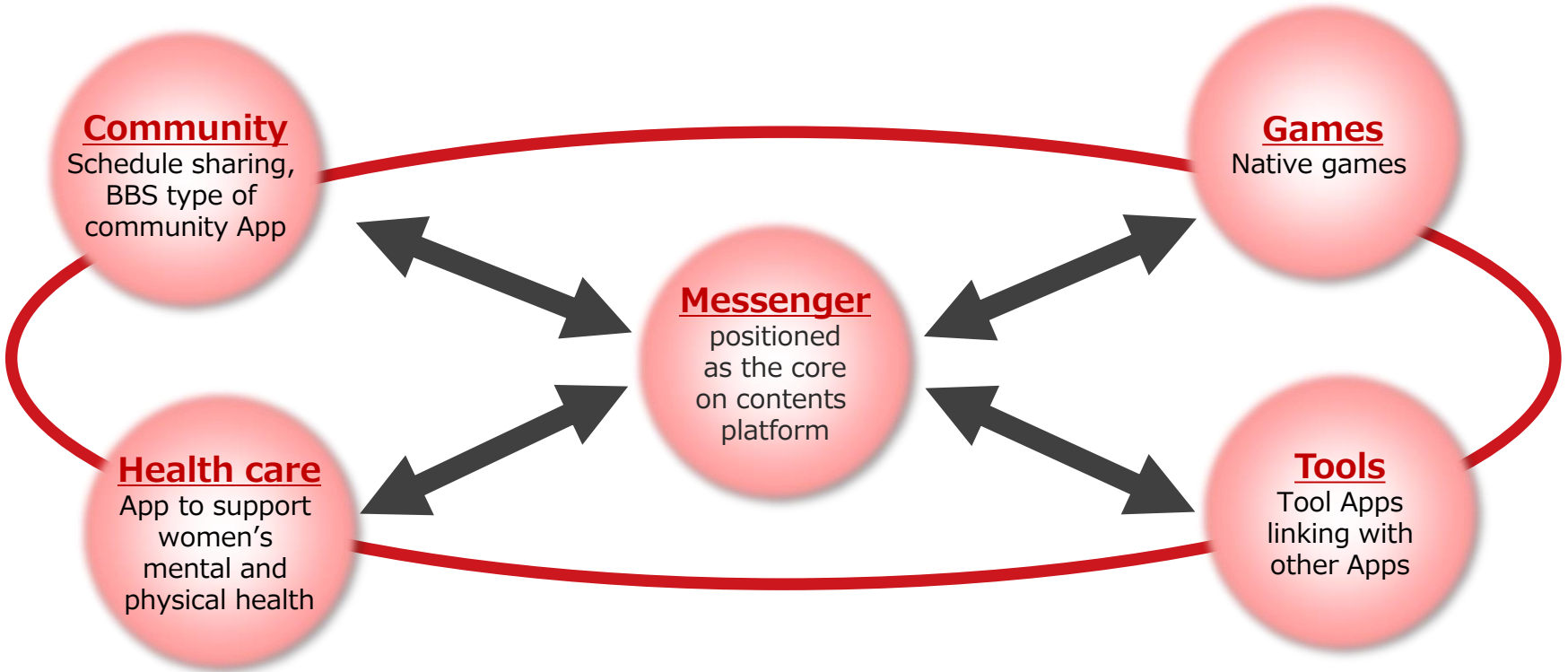
Strategy (1/3)

Expansion of Business Volume



Strategy (2/3)

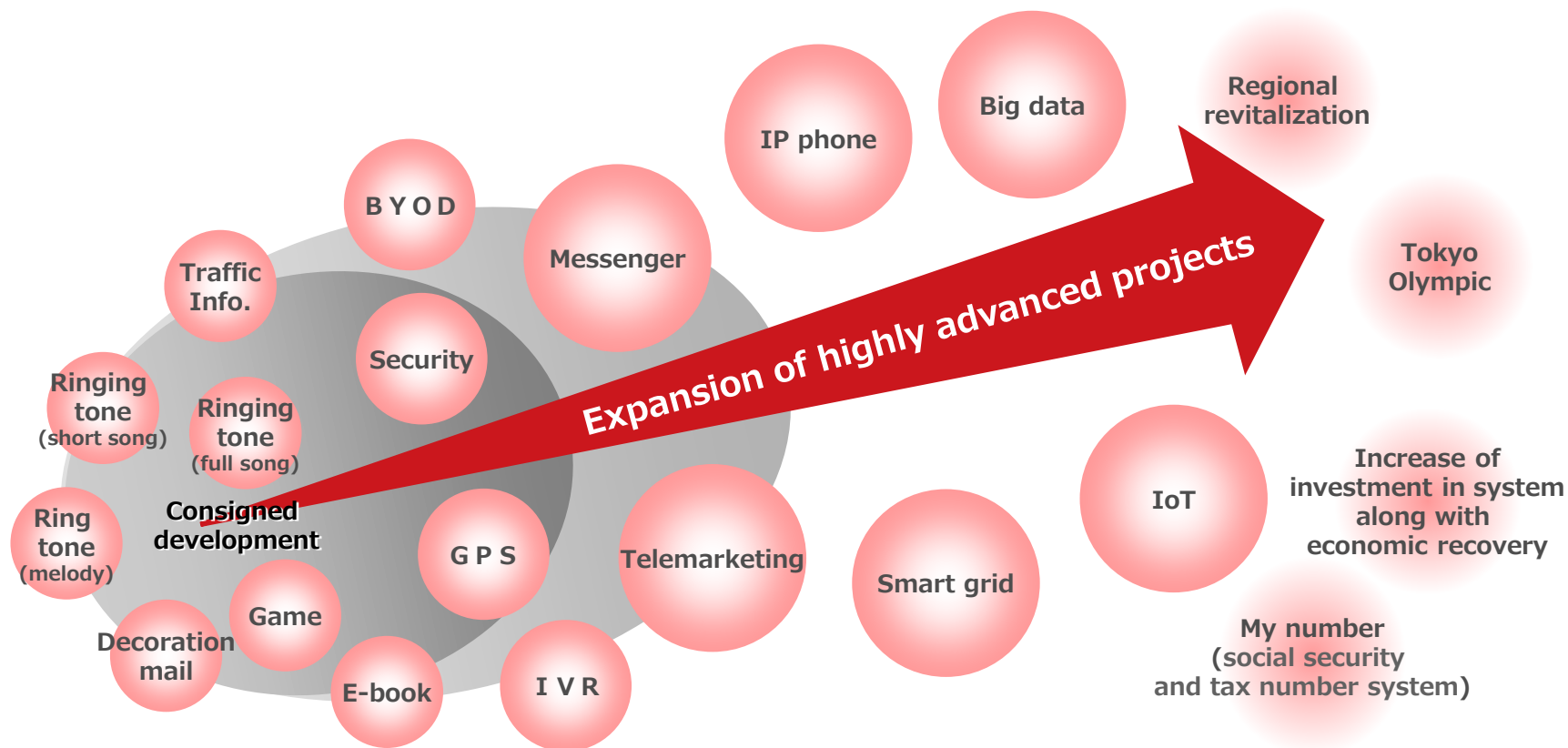
Business Plan of Native Apps



4 Forecast and Strategy

Strategy (3/3)

Expansion of Business Fields in smart device era



日本エンタ

検索

<http://www.nihon-e.co.jp/ir/>

Earnings results, IR presentation materials, press release,
and company information are available at www.nihon-e.co.jp/ir/
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